



# Department of Justice

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## **CAREER FRAUDSTER SENTENCED TO 145 MONTHS IMPRISONMENT FOR SOPHISTICATED FRAUD AND IDENTITY THEFT SCHEME**

David C. Weiss, United States Attorney for the District of Delaware; Darryl C. Wallace, Security Team Leader for the Philadelphia Division of the United States Postal Inspection Service; and Michael McGill, Special Agent in Charge, Philadelphia Field Division of the Social Security Administration Office of Inspector General announced today that Chief District Judge Gregory M. Sleet sentenced Joseph Aughenbaugh, age 42, to a total term of imprisonment of 145 months.

From their residence in Newark, Delaware, as well as other addresses under their direction and control, defendant Aughenbaugh and his co-defendant Todd Yurgin misappropriated the identities of more than 93 victims, at least 44 of whom were minor children; used the identity information to open at least 343 credit cards and 54 bank accounts from over 40 financial institutions; and formed two shell "businesses," ostensibly operating out of the residence, to make fraudulent "purchases" for services that were never rendered. All told, defendant's conduct resulted in approximately \$1 million in losses to various financial institutions.

The charged conduct spanned a lengthy period beginning in March 2003 and continuing until the arrest of defendants in September 2009. Although the specifics of the fraud scheme evolved over time, one aspect remained constant: the misappropriation of valid social security numbers. Initially, defendants stole mail that contained personal identifying information, and used such information to apply for credit cards at various addresses they controlled. Defendants later abandoned the practice of assuming the names of their identity theft victims when applying for credit cards. Instead, they combined actual social

security numbers of victims with fictitious names that they created. In many instances, the fictitious names were derivations of the last names “Yurgin” and “Aughenbaugh.” As part of their scheme, defendants sought out social security numbers belonging to minor children, most likely because such victims lacked credit histories and the fraud scheme was less likely to be detected. Defendants verified that the social security numbers were valid by using an Internet-based search program, and then applied for credit cards using the valid social security number and fictitious names.

Once defendants obtained credit cards using victims' social security numbers, they utilized two different methods to execute their overall scheme. The first involved the formation of two straw businesses, “Cathouse” and “Restored,” along with a corresponding business bank account at PNC Bank (the “PNC account”). After the businesses were formed, defendants obtained a Point of Sale Terminal (“POST”) machine: an electronic retail payment device that businesses use to swipe credit cards as payments for goods or services rendered. The POST machine was linked to a merchant bank account, which in turn was linked to (and provided electronic fund transfers) to the PNC account. The defendants used the POST machine to swipe the various credit cards that they fraudulently obtained to pay for services that were allegedly rendered by Cathouse and/or Restored. After the transactions occurred, the credit card companies deposited funds into the merchant bank account in amounts corresponding to the transactions. Since the “cardholders” did not exist, and defendants did not pay the credit card companies for the fraudulent transactions, multiple financial institutions incurred significant losses.

The second method involved a more traditional credit card fraud scheme linked to fraudulent bank accounts. Once defendants received a credit card from a financial institution, they made small purchases on the card and provided minimum payments (either from bank accounts or other credit cards) in order to build a credit history with respect to the particular identity. This process, referred to as “nurturing,” allowed defendants to raise the credit limit with respect to the particular credit card. It also provided an indirect, but equally important benefit: defendants received solicitations from multiple financial institutions for “instant credit” applications for the identities they had created, which they used to apply for and receive additional credit cards. After financial institutions raised the credit limit on a particular card, defendants made larger purchases and transmitted payments from bank accounts that they

had created in fictitious names in the same manner as the credit card scheme. In the interim period before the payments cleared (often the same day), defendants used the credit cards to purchase additional goods and/or services. Because the payments were made from bank accounts containing insufficient funds, financial institutions reversed the payments – but not before defendants employed the “bust-out” scheme to incur charges well in excess of the credit limit.

Defendants used the fraud proceeds in a variety of ways, including: (1) to transfer funds derived from the fraud scheme into other bank accounts under their direction and control; (2) to pay the land lease for Newark residence and to purchase other parcels of real property; (3) to purchase various types of goods and services, including three vehicles, high-end jewelry, gold coins, collectible items, and clothing; and (4) to pay for travel for multiple trips to Walt Disney World and to Europe. The end result of defendants' conduct was to defraud more than 40 financial institutions out of a combined loss amount of \$987,544.47.

United States Attorney David C. Weiss said of the case, “Chief Judge Sleet’s sentence sends a clear message that this type of sophisticated fraud and identity theft will not be tolerated. Aughenbaugh engaged in one of the most egregious identity theft schemes in Delaware history. The defendants stole the social security numbers of the most vulnerable members of our society, small children, and used them to create new fake identities. They used the fake identities to obtain over 340 credit cards from numerous financial institutions, and employed sophisticated means – including setting up two shell businesses – to defraud the financial institutions out of close to \$1,000,000.00. I congratulate the tenacious efforts of the United States Postal Inspection Service and the Social Security Administration Office of Inspector General in bringing these career fraudsters to justice. As fraud and identity theft schemes evolve, our Office will exhaust all means at our disposal, including working with our law enforcement partners and the private industry members of our Office’s Identity Theft Working Group, to proactively engage threats like the defendants in the future.”

According to Darryl C. Wallace, Security Team Leader for the Philadelphia Division of the United States Postal Inspection Service, “Identity theft and Internet fraud schemes victimize millions of Americans and financial institutions each year. Postal Inspectors, in collaboration with others in the law

enforcement community, conducted an investigation into the criminal activity of Aughenbaugh and co-defendant Todd Yurgin. Our agency is committed to combatting fraud and identity theft schemes like that committed by these defendants, and to bringing defendants like Yurgin and Aughenbaugh to justice.”

Michael McGill, Special Agent in Charge, Philadelphia Field Division of the Social Security Administration Office of Inspector General , stated "The Social Security Administration Office of the Inspector General remains committed to vigorously investigating instances of Identity Theft, in particular those that involve the fraudulent use of social security numbers."

This case was investigated by the United States Postal Inspection Service and the Social Security Administration Office of Inspector General. Assistant United States Attorneys Robert F. Kravetz and John C. Snyder prosecuted the case for the United States Attorney’s Office.

For further information, contact United States Attorney David C. Weiss or Assistant United States Attorney Robert F. Kravetz.

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